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U.S. DEPARTMENT OF THE TREASURY

2015 Annual Governmentwide Federal Receivables Management Symposium

**The Difference is You – Tools & Techniques to Manage Your
Agency's Portfolio**

June 3 & 4, 2015

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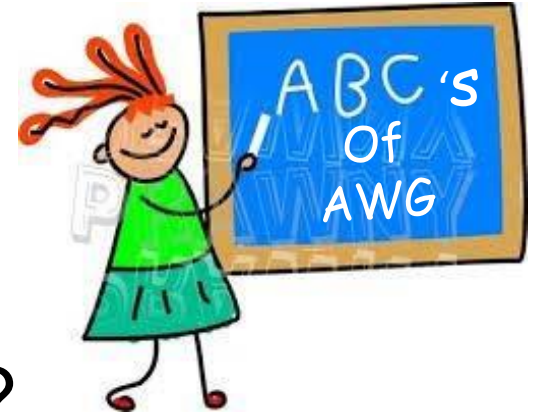
The ABC's of AWG
Administrative Wage Garnishment
An Evolving Collection Tool

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June 3 & 4, 2015

Agenda

- What is AWG?
- How Can it Benefit Agencies?
- How Can Agencies Participate?
- Hearing Services Information



Debt Management Service (DMS) Mission

- To collect and resolve delinquent debt owed to government agencies



What is Cross Servicing

- Cross-Servicing is a consolidated government-wide program operated by DMS that fulfills the requirements of the DCIA to collect delinquent non-tax debts on behalf of Federal agencies.
- Once agencies refer debts to DMS, DMS uses a variety of collection tools to collect the debt.

Cross - Servicing Collection Tools

- Demand Letters and Phone Calls
- Payment Agreement Options
- Credit Bureau Reporting
- Treasury Offset Program
- **Administrative Wage Garnishment**
- Private Collection Agencies
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout



What is AWG?

- **Administrative Wage Garnishment (AWG)** is a Cross- Servicing collection tool whereby a non-federal employer is ordered to withhold up to 15% of an employee's disposable income
- **Debt Collection Improvement Act of 1996** authorizes it, this authorization supersedes any state laws



What is AWG

- An important element of the Cross-Servicing collection tools
- Used by DMS and its private collection agency (PCA) contractors
- AWG can take place at any time during the collection process

Benefits of AWG



- AWG can be started without a court order
- No statute of limitations
- AWG has proven an effective tool in encouraging the establishment of payment agreements

New TFM Chapter – Debt Management Services

- On October 18, 2011, the U.S. Department of Treasury's Financial Management Service (FMS) published a new chapter in the Treasury Financial Manual (TFM) describing how DMS provides debt collection services to Federal agencies. ***TFM, Part 4, Chapter, 4000 Debt Management Services Collection of Nontax Delinquent Debt.***
- **Chapter 4035.30** requires agency compliance with relevant laws and authorizes use of all appropriate debt collection tools, which encompasses AWG.

AWG Program

➤ **AWG program's success has increased....**

- ✓ **Started in 2001** with one program agency
- ✓ **Expanded to thirty two agencies** – 20 which are CFO agencies
- ✓ **\$236 million** collected through February 2015

Who is participating

- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- **Department of Housing & Urban Development**
- Securities & Exchange Commission
- **Nuclear Regulatory Commission**
- **Department of Education**
- **Defense Finance & Accounting Service**
- **Department of Energy**
- **Department of the Treasury**
- **Department of State**
- Presidio Trust
- **Department of Homeland Security**
- Pension Benefit Guaranty Corporation
- **U.S. Agency for International Development**
- **General Services Administration**
- Commodity Futures Trading Commission
- **Social Security Administration**
- **Department of Health & Human Services**
- **Small Business Administration**
- National Labor Relations Board
- Federal Communications Commission
- **Department of Agriculture**
- **Department of Interior**
- CIA
- **Department of Transportation**
- Federal Trade Commission
- **Department of Veteran Affairs**
- **NASA**
- **Department of Commerce**
- **Office of Personnel Management**
- Federal Retirement Thrift Investment Board
- National Archives Records Admin

*Agencies in blue indicate CFO Agency

AWG Success Stories

Agency Collections



- Defense Finance & Accounting Service – over **\$85 million**
- Department of Housing and Urban Development – over **\$24 million**
- Small Business Administration – over **\$55 million**
- Department of Agriculture-over **\$33 million**
- As of February 2015, there are over 22,000 active AWGs within the Cross Servicing Program valued at over **\$498 million**

How Does AWG Work?

- The PCA (Private Collection Agency) / DMS will send an AWG notice letter to the debtor
- **AWG Notice Letters only sent if:**
 - ✓ Employer is identified
 - ✓ TIN is valid
 - ✓ PCA/DMS selects account for AWG processing
 - ✓ Agency changes profile to “Yes” for AWG

Payment Agreement During AWG

➤ **If AWG Notice Letter already sent:**

- PCA / DMS can discuss and enter into any type of payment agreement at this time

➤ **AWG Order issued:**

- DMS/PCA can enter only into one-time payment agreement in full or one-time payment compromise

➤ **AWG has proven an effective tool in encouraging the establishment of payment agreements**

AWG Garnishment Order

- Issued 30 calendar days after the AWG Notice Letter has been sent
- Order will not be generated if there is a:
 - Timely hearing filed
 - Payment Agreement entered into after AWG Notice Letter
- DMS will follow up on any employer non-compliance and if necessary pursue legal action

AWG Hearings

- Debtor may request a hearing at any time during AWG process
- Hearing request reasons:
 1. Existence of the debt
 2. Amount of the debt
 3. Garnishment amount (Hardship)
 4. Debtor employed less than 12 months after losing last job involuntarily

*Debtor may choose multiple reasons for a hearing request.

AWG Hearing Process

- DMS receives the hearing request from the debt and forwards to the creditor agency
- Creditor agency conducts the hearing, and issues hearing decision (*DMS offers hearing services as well*)
- Creditor agency forwards hearing resolution and hearing decision to DMS and the debtor



AWG Hearing Process

- Hearings are requested on only 6 - 7% of the AWG Notice Letters issued
- No requirement to Duplicate Hearings. Agencies do not need to provide more than one hearing based on same grounds or objections.
- Hardship hearings can be requested multiple times, if financial circumstances have changed
- Many agencies already conduct some type of hearings, i.e. salary offset – these procedures can be modified to apply to AWG
- Similar to dispute process
- \$300 Debt Balance Minimum (courtesy to agency)

AWG Hearings



- Hearing types

- **Timely** – received within 15 business days of the AWG Notice letter (stops AWG)
- **Late** – received more than 15 business days after the AWG Notice letter (AWG continues)

AWG Hearing Official

➤ Hearing guidelines

- Hearing official needs to be a “qualified individual”
- Hearing official should not be the person responsible for establishing the debt or who has primary responsibility for collecting the debt.
- Official **Does Not** need to be an administrative law judge, most agencies do not use judges
- Hearings may be oral or paper
- Hearing decision must be in writing

AWG Hearing Services



- ✓ DMS conducts hardship hearings for agencies free of charge
- ✓ DMS conducts Non-Hardship hearings for a \$200 fee
- ✓ MOU and IAA (Interagency Agreement) to be signed by Treasury and agency
- ✓ Hearing services reduce the workload for agencies
- ❖ *DMS also conducts Federal Salary Offset hearings for a \$250 fee*

Treasury's AWG Hearing Services Billing Process

- Weekly hearing status reports sent to DMS staff
- Courtesy Invoice is prepared and sent to agency contact (monthly or quarterly)
- DMS Accounting Department receives copy of invoice and IPAC's the agency

National Directory of New Hires Benefit

- Use of the **National Directory of New Hires database**, maintained by HHS
 - ✓ Includes employment information for:
 - ✓ Newly hired employees
 - ✓ Current employees – quarterly wages
- Assists DMS in finding employment information for debtors – increases AWG collections
- DMS started using the NDNH in 2009



NDNH Information

New Hire

- Employee's SSN
- Employee's Address
- Employer's Name and Address

Quarterly Wage

- Employee's SSN
- Wage Amount
- Employer's Name and Address

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Navigation Tips:

- Our Program
- Debt Collections
- Read More about DMS Program (find by scrolling down)
- DMS Programs
- Cross Servicing
 - Administrative Wage Garnishment
 - What is AWG
 - How Does it Work
 - Authority
 - Etc....

- Resources

- **Individuals**

- Financial Statement if requesting Hardship Hearings

- **Agencies**

- AWG Hearing Manual

- **Employers**

- AWG Worksheet
 - On-line Wage Garnishment Calculator
 - PCA Information

AWG Garnishment Calculator

WAGE GARNISHMENT WORKSHEET Pay Period Frequency (Select One):

Weekly or less Every other week Two times per month Monthly Other (Specify:)

1.	Gross Amount paid to Employee		500.00
2	Amount Withheld		
	a. Federal Income tax	75.00	
	b. F.I.C.A. (Social Security	20.00	
	c. Medicare	5.00	
	d. State tax (including income tax, unemployment, disability	20.00	
	e. City/Local tax		
	f. Health insurance premiums	30.00	
	g. Involuntary retirement or pension plan payments		
3.	Total allowable deductions [Add lines a - g]		150.00
4.	DISPOSABLE PAY [Subtract line 3 from line 1]		350.00

AWG Garnishment Calculator

WAGE GARNISHMENT AMOUNT COMPUTATION

If the Employee's wages are not subject to any withholding orders with priority, skip to line 8.

5.	25% of Disposable Pay [Multiply line 4 by .25]	
6.	Total Amounts Withheld Under Other Wage Withholding Orders with Priority. See section 2(b) of the Order.	
7.	Subtract line 6 from line 5 [If line 6 is more than line 5, enter zero]	
8.	Multiply the percentage from section 2(b)(1) of the Order by line 4. (The percentage from section 2(b)(1) of the Order may not exceed 15%). Example: If the percentage from section 2(b)(1) of the Order is 15%, multiply .15 by line 4	
9.	<p>Amount equivalent to 30 times the Fed. min. wage (\$7.25) <u>If the employee is paid Line 9 is If the employee is paid :</u></p> <p>Weekly or less Line 9 is: \$217.50 2x per month Line 9 is: \$471.45 Every other week Line 9 is: \$435.00 Monthly Line 9 is: \$942.50</p>	
10.	Subtract line 9 from line 4 [if line 9 is more than line 4, enter zero]	
11.	<p>WAGE GARNISHMENT AMOUNT Line 7, 8, or 10, whichever amount is the smallest</p>	

Agency “To-Do” List to Start Using AWG



1. Publish AWG regulations or publish that they are adopting Treasury’s AWG regulations (*most agencies adopt Treasury’s regulations*)
2. Establish hearing procedures and appoint a hearing official contact
3. Notify DMS that they are ready to start AWG and have Agency Profile updated

AWG Implementation

- Once an agency starts participating in AWG, all consumer debts and commercial debts with individual liability in the agency's portfolio are eligible for participation
- DMS will provide a list of AWG Eligible Debt/Programs
- Each program must be authorized for AWG by the agency in order to update the profile for participation
- Once profile is changed, AWG is retroactive
- Debts which were already in FedDebt will be run in NDNH database for employer matching

AWG Recap

AWG Process

- ✓ AWG Notice Letter to debtor
- ✓ Hearing may be requested
- ✓ AWG Order to employer
- ✓ Payment agreement may be established



Using AWG

- ✓ Essential collection tool
- ✓ Will increase collections

Questions?



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